CONSULTATION RESPONSE

energy traders europe

Energy Traders Europe's response to the ACER's consultation on changes to the Harmonised Allocation Rules and Single Allocation Platform's requirements

Brussels, August 2026

Executive Summary

Energy Traders Europe supports bid filtering based on final clearing prices and welcomes the proposed changes to collateral management. The problem is timing. Flow-based allocation goes live in November 2026, the improved collateral framework not until November 2028. The interim cap applies per bid and per border, so it does not address exposure aggregated across borders, which is where the increase comes from. We call on ACER to require the improved framework by November 2027, or to make yearly flow-based auctions conditional on it.

We maintain that flow-based allocation is not suited to the forward timeframe. It maximises auction revenue rather than economic efficiency, concentrating capacity on high-spread borders and leaving others with little or none. Simulations showed 12% less awarded cross-zonal capacity. We understand the decision to go live in November 2026, and ask ACER to require robust testing of the collateral solution and to monitor allocated volumes per oriented bidding zone border, addressing persistent zero or limited capacity under Article 7(2).

Specific comments

Collateral Management

As Energy Traders Europe, we welcome the opportunity to provide feedback to the consultation. We support the proposal to move to bid filtering based on final clearing prices and see it as a clear improvement over the Maximum Payment
Obligation (MPO)- based approach. Higher collateral requirements resulting from the move

to a single pan-European auction have consistently been among our key concerns regarding long-term flow-based allocation, a concern we have flagged in past years. We therefore welcome the proposed changes to collateral management, which address one of the key implementation challenges of LTFBA.

However, we remain concerned about the implementation timeline. As highlighted in our response to the All TSOs' consultation, flow-based allocation is expected to go live in November 2026, whereas the improved collateral framework was foreseen only for November 2027. This would leave market participants exposed to significantly higher collateral requirements during the first year of implementation, increasing the cost of hedging to the detriment of consumers.

The recent amendment has a legal deadline of November 2028, with an interim solution in the meantime, extending this period to 2 years. The proposed interim solution, based on a cap applied per bid and bidding zone border, is not an adequate substitute because it does not address the aggregated exposure arising from simultaneous participation across multiple borders, which is the underlying source of the increased collateral requirements under long-term flow-based allocation. Furthermore, when the maximum payment obligation exceeds a participant's credit limit, it blocks the entire credit limit, which removes collateral from use in concurrent auctions.

All TSOs acknowledge this themselves, as the Explanatory Note confirms that long-term flow-based auctions will substantially increase collateral costs for market participants. While the Explanatory Note states that TSOs intend to implement the improved solution as early as possible, this intention is not reflected in the legally binding provisions of the HAR. Market participants therefore have no regulatory certainty as to when the improved collateral framework will actually become available.

We therefore call upon ACER to ensure that the improved collateral framework is implemented by November 2027 at the latest, or to make the application of yearly flow-based auctions conditional upon the improved collateral framework being operational for those auctions.

Contestation Period

We support the clarifications to the contestation period in Article 37, as they improve legal certainty.

Additionally, we would welcome at least one day contestation period in the case of fallback auctions.

Curtailment cap for DC borders

We support including DC borders in references to the cap on curtailment compensation, as it improves consistency and legal clarity.

Changes related to the new auction tool

We welcome the proposed changes. We recommend robust testing with market participants before go-live, an adequate transition period in which participants can familiarise themselves with the new tool, and equal access to the tool, its documentation and its testing for all registered participants.

REMIT II Related Amendments

We note that REMIT II and the recast REMIT Implementing Regulation, under Article 3(b)(ii), cover transactions relating to the transportation of electricity between market participants on secondary markets, including the resale and transfer of physical or financial capacity rights. ESMA Q&A 2436 confirms that FTRs traded on the secondary market qualify as C(10) financial instruments under MiFID II, including where traded outside a trading venue. This means that those transactions are already reported under EMIR and MiFIR and therefore the corresponding REMIT transaction reporting obligation is considered fulfilled.

Against this background, we encourage the use of the existing data-sharing arrangements between the EMIR and REMIT reporting frameworks so that information on secondary trading of transmission rights can be made available for REMIT purposes without requiring additional reporting by market participants. This would improve consistency and data quality while avoiding duplicative reporting requirements, in line with the EU's simplification agenda.

In addition to the above, we welcome the centralised reporting of such information by the SAP, where applicable, rather than requiring individual market participants to report the same information independently, as the platform is best placed to ensure consistent and reliable reporting of the data it holds.

In parallel, the development of the new auction tool should ensure that HVDC merchant lines that apply allocation rules of regulated lines, which are subject to comparable REMIT-related reporting obligations, are properly integrated into the Single Allocation Platform, including the possibility to manage and transfer the related capacity between private parties in a transparent, consistent and operationally robust way.

Evolved Flow-Based Allocation

We support aligning the terminology and scope of Evolved Flow-Based Allocation (EFB) with the long-term capacity calculation methodologies. We do not support the removal of implementation dates. Article 3(1)(b) and (c) replace fixed dates with a trigger linked to regional methodologies, while the November 2028 longstop in Article 3(2) applies only to the other SAP requirements. EFB therefore has no outer date. Market participants can no longer determine from the SAP when EFB will apply on a given bidding zone border, which matters because the approach applied determines the capacity available for hedging on that border. Article 3(1)(a) is also deferred by two years, from the auctions for delivery in 2025 to those for delivery in 2027. We further note that the transitional rule refers to the time defined under paragraph 1(c), which no longer defines a time.

We recommend publishing an implementation roadmap per bidding zone border, including which approach applies to each border in the interim, with progress reported in the annual monitoring report. We also recommend that Article 3(1)(c) be conditioned on the improved collateral framework being operational, in addition to the introduction of the requirements by the relevant regional LTCCMs.

Other Comments:

While this consultation is structured around individual amendments to the HAR, these changes should be looked at together. Many of the proposed amendments are closely linked, in particular those related to long-term flow-based allocation, collateral management, the new auction tool and the extension of common auctions. Looking at each amendment separately does not show their overall impact on forward markets, access to cross-border hedging instruments and collateral requirements.

In this context, we maintain our position that flow-based allocation is not well suited to the forward timeframe, where TSOs do not manage flows. One of the problems is higher collateral costs, stemming from a single, pan-European auction for all borders, ultimately increasing hedging costs for market participants.

The other problem is that a flow-based approach to allocating LTTRs tends to maximise the revenue generated by LTTR auctions. This results in capacity being allocated primarily to borders with the highest price spreads, leaving other borders with limited capacity. We welcome the introduction of minimum capacity levels into the capacity calculation, but these alone do not guarantee that capacity is effectively allocated across all borders.

Maximising auction revenue is not the same as maximising economic efficiency, as required under the FCA Regulation. LTTR auctions have to be seen in the context of forward electricity markets, where their primary role is to enable hedging of cross-border price risks. By supporting hedging, LTTRs improve liquidity in forward markets. Limiting the availability of cross-border hedging instruments on certain borders reduces liquidity in adjacent forward markets, increases hedging costs for market participants, and ultimately raises costs for consumers. This is no longer a theoretical option – as presented in the LTFBA workshop, simulations showed 12% less awarded cross- zonal capacity, significantly weakening hedging options for market participants.

However, we understand the decision to move forward with the go-live in November 2026. To ensure a smooth and efficient transition, we call upon the ACER to :

- Ensure implementation of the collateral solution no later than November 2027, or make application of yearly flow-based auction conditional on its implementation

- Implement a robust testing phase for the collateral solution, accompanied by a transparent dialogue with market participants

- Monitor allocated volumes per oriented bidding zone border after go-live and address the borders with persistent zero or limited capacity as an inefficiency under Article 7(2) by targeted proposals

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